

CHAPTER 5

ADJUSTMENT TRANSACTIONSA. GENERAL

1. This chapter provides procedures relating to the following types of adjustment actions:

- a. Adjustments caused by catalog change actions.
- b. Reidentification of improperly identified materiel.
- c. Offsetting adjustments to purpose and condition codes.
- d. Discrepancies disclosed by physical inventory.
- e. Ownership gains and losses applicable to **SMCA**.

2. The **DD** Form 1487 is designed for use as either a single or dual transaction.

a. The first method accommodates those processing techniques which employ individual increase or decrease adjustment actions against the accountable inventory control records. **DD** Forms 1487 containing document identifiers in the **D8** or **D9** series and prepared as outlined in appendix **C4** apply to these transactions. When processing **DI** Codes **D8S** and **D9S**, see appendix **C6** for alignment and format.

b. The second method provides for offsetting (dual) adjustments to condition or purpose code in a single Materiel Adjustment Document. This is possible by using the FROM and TO data fields in the Materiel Adjustment Document. **DD** Form 1487 containing **DI** Code **DAC** or **DAD** and prepared as outlined in appendix **C9** applies to these transactions. When processing **DI** Code **DAS**, see appendix **C10** for alignment and format.

c. When Service/Agency practice prescribes the use of single transactions in the **D8** and **D9** series internally for condition or purpose transfer, provisions will be made for acceptance and processing of **DAC** and **DAD** documents from other Services/Agencies.

3. Changes between ownership codes, from purpose code to ownership code, or from ownership code to purpose code will not be made by an adjustment action. Appropriate issue and receipt transactions will be processed to make the necessary accounting actions. An exception to this rule is the use of the dual Inventory Adjustment Transaction, **DI** Code **DAS**, and corresponding single adjustments, **D8S/D9S**, to effect ownership gain/loss under the **SMCA** concept. (See section C. below.)

4. Changes in project or distribution codes maintained on the inventory control record will be accomplished by utilizing individual increase and decrease materiel adjustment transactions containing appropriate document identifiers in the 08 and 09 series.

5. Inventory adjustments, resulting from clerical or mechanical accounting errors but which cannot be corrected by reversing the original transaction, will contain **DI** Code D8B if the adjustment is an increase and **DI** Code **D9B** if the adjustment is a decrease.

6. Inventory adjustments, for which a specific **DI** code is not otherwise provided, will contain **DI** Code **D8Z** when the adjustment is an increase and **DI** Code D9Z when the adjustment is a decrease. (Assignor of these codes will maintain detailed backup information as to the use and requirement for the transaction.)

7. Inventory adjustments for losses resulting from shrinkage, theft, contamination, deterioration, and expired shelf life will contain **DI** Code **D9G**. Losses resulting from major disasters, fire, enemy action, acts of God, etc., will be identified by **DI** Code **D9H**.

8. **DI** codes in the DB series (for gains) and DC_ series (for losses) are to be used for financial adjustments and the transactions will be prepared in accordance with the regulatory procedures prescribed by the Services/Agencies. No formats are currently prescribed in the MI **LSTRAP** manual.

B. CHANGES IN CONDITION OF MATERIEL

1. When inspection of stocks onhand reveals a change in condition of the materiel and immediate reclassification is possible, storage activities will report the variance to the **ICP/SCA** within 3 calendar days using a **01** Code DAC Inventory Adjustment prepared in the appendix C9 format. Enter the supply condition code under which the item is carried on the records in record position 71 and the new supply condition code in record position 66.

2. When inspection of stocks onhand discloses **stocks** are suspect for issue and immediate reclassification is beyond current capabilities, the storage activity will transfer the materiel to Supply Condition Code **J** and submit to the **ICP/SCA** a **DI** Code DAC Inventory Adjustment prepared in the appendix C9 format. Enter the supply condition code under which the item is carried on the records in record position 71 and Supply Condition Code **J** in record position 66. As classification actions are completed, storage activities will submit **DI** Code DAC Inventory Adjustments entering Supply Condition Code J in record position 71 and the new Supply condition code in record position 66. Storage activities will complete the classification of materiel suspended under Supply Condition Code J, with

the exception of ammunition, within 90 calendar days after submitting the original adjustment to the **ICP/SCA**. Ammunition may be retained in Supply Condition Code J up to 270 calendar days. See subparagraph B.5. for other exceptions to the 90 calendar day criteria.

3. When materiel is suspended upon receipt for condition determination (Supply Condition Code K), **storage** activities will classify the materiel, with the exception of ammunition, within 10 calendar days after submitting the original receipt. Ammunition may be retained in Supply Condition Code K up to 45 calendar days. When materiel has been classified, submit to the **ICP/SCA** a **DI** Code DAC Inventory Adjustment, prepared in the appendix C9 format, using the same document number cited in the original receipt transaction. Enter Supply Condition Code K in record position 71 and the new supply condition code in record position 66. See subparagraph B.5. for other exceptions to the 10 calendar day criteria.

4. Storage activities will reclassify assets identified by reclamation activities as Supply Condition Code R. Such assets will be classified to actual condition within 180, calendar days after submitting the original receipt transaction or prior to induction into maintenance activities for repair/modification, whichever is sooner (see subparagraph B.5. for exceptions to the established timeframe). When condition R assets are classified, storage activities will submit to the **ICP/SCA** a **DI** Code DAC Inventory Adjustment prepared in the appendix C9 format. Enter Supply Condition Code R in record position 71 and the actual supply condition code to which the item was classified in record position 66. When a storage activity does not have the capability to test/check condition R assets for actual condition, the materiel may be forwarded to a maintenance activity having the capability to determine actual condition. The actual condition of the assets will be recorded on the accountable record before a determination is made to include the assets in a scheduled maintenance program.

5. When additional time is required to classify materiel held in Supply Condition Codes **J**, **K**, or R, because of large quantities, lack of facilities, nonavailability of personnel and/or test equipment, or other circumstances considered justified by the storage activity Commander, the storage activity will forward an extension request to the accountable **ICP/SCA**. When appropriate, the **ICP/SCA** will approve the request for extension, notify the storage activity, and establish a suspense to ensure that classification action is taken within the agreed upon timeframe. If a request for extension is not approved by the **ICP/SCA**, the storage activity will make every effort to comply with the established timeframe. Inventory Managers may request reclassification of condition J, K, and R assets whenever it is deemed necessary based on their stock position and overall management responsibility.

6. When inspection of stocks onhand reveals that the condition has changed to an uneconomically reparable state or that the **shelf-life** expiration date has passed, storage activities will report the variance to the **ICP** within 3 calendar days. Submit a **DI** Code DAC Inventory Adjustment prepared in the appendix **C9** format. Enter the supply condition code under which the item was carried, prior to determination of the uneconomically reparable **state** or prior to the shelf-life expiration date, in record position 71. Enter the applicable supply condition code to which the item is being classified in record position 66. Storage activities may automatically turn over condemned and expired shelf-life materiel to the property disposal activity or take other automatic disposal actions based on criteria promulgated by the Services/Agencies. When automatic disposal action is taken, the storage activity will advise the **ICP** by entering Management Code M (excludes shelf-life materiel) or Management Code T (expired shelf-life materiel) in record position 72 of the **DI** Code DAC Inventory Adjustment.

7. Although there is no prescribed timeframe for transferring suspended materiel from Supply Condition Code L, inventory managers will review all records for materiel suspended in condition L at least quarterly and will take necessary action to ensure that litigation action is progressing.

C. OWNERSHIP **GAINS** AND LOSSES

(DoD Directive 5160.65 (reference (d))).

1. Based on the unique requirements of the **SM** for Conventional Ammunition **and** the Military Services, separate inventory adjustment transactions DAS, D8S, and D9S have been developed to permit:

a. Retaining the integrity of the document number from the requisitioner's original demand throughout total processing, when payback actions are necessary.

b. Online recording and reconciliation of materiel debit and credit balances of the **SM** and affected Military Services.

c. The Military Services to have an audit trail when their accountable/financial records are affected.

2. The DAS transaction is designed for use as a dual transaction limited to effecting paybacks of **SM** for conventional ammunition items from one owning Service to another Service, in accordance with current **DoD** policy and inter-Service agreements. The **SM** will always initiate the DAS transaction for processing internal adjustments to **custodial/accountable** records and for notification of SM storage activities. The use of the M modifier in record position 29, to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied **intra-Service/Agency** and, by agreement,

inter-Service/Agency. M modifiers are only applicable to ammunition items in Federal Supply Group 13. The DAS transaction is prepared in the appendix C10 format.

3. The D8S and D9S transactions are designed for use as a single transaction limited to effecting paybacks of SM for conventional ammunition items from one owning Service to, another Service, in accordance with current DoD policy and inter-Service agreements. The SM will always initiate the **D8S/D9S** transactions for updating internal custodial/accountable records and for notification **to** affected Military Services of actions to be accomplished. The use of the M modifier in record position 29, to express thousands when the quantity exceeds 99,999, is an optional feature that can be applied **intra-Service/Agency** and, by agreement, inter-Service/Agency. M modifiers are only applicable to ammunition items in Federal Supply Group 13. The D8S and D9S transactions are prepared in the appendix **C6** format.

D. PURPOSE TRANSFERS

Based on authorized **programs**, materiel may be reserved for specific purposes and retained on inventory control records until requisitioned. To effect the transfer of assets between purpose codes, the single inventory adjustment cards, **DI** Codes D8D and **D9D** prepared in the format shown in appendix **C4**, or the dual inventory adjustment transaction, **DI** Code DAD, prepared in the format shown in appendix C9, will be processed against the inventory control records.

E. INVENTORY **GAINS** AND LOSSES

Procedures concerned with adjustments due to physical inventory losses or gains are contained in chapter 7.

F. CONDITION CHANGES FOR ITEMS UNDER REPAIR

1. When one Service/Agency is repairing items for another Service/Agency, the repairing Service/Agency may, by mutual agreement, notify the owning **ICP** of the other Service/Agency of condition changes upon:

a. Induction of items into repair. The owning **ICP will** be **provided with** inventory adjustment transactions to indicate transfer of items from Supply Condition Code F (Unserviceable - Repairable) to Supply Condition Code M (Suspended (In Work)). These inventory adjustment transactions will be identified by **DI** Code DAC prepared in the format of appendix C9, or **DI** Codes **D8C** and **D9C**, prepared in the format shown in appendix C4.

b. Completion of repair action. The owning **ICP will** be provided with inventory adjustment transactions to indicate transfer of items from SUPPLY Condition Code M (Suspended (**In** Work)) to the

appropriate, ready for issue, condition. These inventory adjustment transactions will be identified by **DI** Codes DAC or **D8C** and D9C, as appropriate.

2. When items are being repaired at a maintenance facility, reporting of induction into and return from repair will be accomplished in the following manner:

a. Reporting of induction into repair will be accomplished by **submission** of inventory adjustment transactions transferring the items from Supply Condition Code F (Unserviceable - Repairable) to Supply Condition Code M (Suspended (**In** Work)). These inventory adjustment transactions will be identified by **DI** Codes DAC or D8C and D9C, as appropriate.

b. Return of items from repair will be accomplished by submission of inventory adjustment transactions transferring the items from Supply Condition Code M (Suspended (**In** Work)) to a ready for issue condition. These inventory adjustment transactions will be identified by **DI** Codes DAC or D8C and D9C, as appropriate.

G. REIDENTIFICATION OF STOCK, STOCK NUMBER CHANGES, AND UNIT OF ISSUE CHANGES

1. Reidentification of Stock

a. When inspection reveals that an item in stock has been misidentified, storage activities will prepare and transmit two or more materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the misidentified stock number, the quantity misidentified, **DI Code D9J (Decrease - Reidentification of Stock)**, and Suffix Code A.

b. When one new stock number is picked up due to reidentification, the second materiel adjustment transaction will contain the same document number as the first transaction, the identified stock number, the quantity of the identified stock number, **DI Code D8J (Increase - Reidentification of Stock)**, and Suffix **Code B**.

c. When more than one new stock number is picked up due to reidentification, an additional D8J adjustment transaction for each newly identified stock number will be prepared and transmitted. The additional D8J adjustment transaction(s) will be prepared in the same manner as the second transaction except that the suffix codes will progress to C, D, etc., as each transaction is prepared. The suffix codes in the second and ensuing transactions will serve to correlate the transactions to the misidentified stock number.

d. The **SCA/ICP** will process the adjustment transactions against accountable inventory control records to effect the decrease under the incorrectly identified stock number and increase(s) against the correct stock number(s).

2. Stock Number and/or Unit of **Issue** Changes

a. When only a stock number change occurs, **ICPS** or SCAS will prepare and process two materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the replaced stock number, **DI** Code **D9K** (Decrease - Catalog Data Change), and Suffix Code A. The **second** transaction will contain the same document number as the first transaction, **DI** Code **D8K** (Increase - Catalog Data Change), and Suffix Code B.

b. When only a unit of issue change occurs, **ICPs** or SCAS will prepare and process two materiel adjustment transactions prepared as outlined in appendix C4. The first transaction will contain the quantity and unit of issue prior to change of unit of issue, **DI** Code **D9K** (Decrease - Catalog Data Change), and Suffix Code A. The second materiel adjustment transaction will contain the same document number and stock number as the first transaction, the new unit of issue, the new adjusted quantity based on the new unit of issue, **DI** Code **D8K** (Increase Catalog Data Change), and Suffix Code B.

c. When a simultaneous stock number and unit of issue change occurs, **ICPS** or SCAS will prepare and process two materiel adjustment transactions. The first transaction will contain the replaced stock number and its unit of issue and quantity, **DI** Code **D9K** (Decrease - Catalog Data Change), and Suffix Code A. The second materiel adjustment transaction **will** contain the same document number, the replacing stock number and unit of issue, the adjusted quantity based on the new unit of issue, **DI** Code **D8K** (Increase - Catalog Data Change), and Suffix Code B.

H. **CONDITION CHANGES FOR ITEMS BEING REPORTED/TURNED IN TO REUTILIZATION AND MARKETING ACTIVITIES**

1. When materiel is not identified by an NSN and is actually scrap, Services and Agencies may prescribe that it be classified in **Supply** Condition Code S for turn in to **DRMOs**. Otherwise, only materiel recorded on accountable records in Supply Condition Codes A through H will be reported or turned in to the **DRMO**.

2. When excess, serviceable, or unserviceable materiel is classified in Supply Condition Code J, K, **L**, M, N, P, Q, or R, activities must initiate action to reclassify the materiel to an acceptable supply condition code (A through H or S) before preparing the turn-in documentation. Section B contains the materiel reclassification procedures.

3. Activities not reporting or turning in materiel to **DRMOs** in an appropriate supply condition code will risk having the materiel rejected/returned by the DRMO for proper classification.

4. Reutilization and marketing activities will use the appendix 86 disposal condition codes to accurately describe the physical condition of the materiel based on its inspection at time of receipt. Reutilization and marketing activities will record both the supply and the disposal condition code for the materiel and will reflect both codes as management data for reutilization program screening and review. Within the reutilization and marketing **process**, Disposal Condition Code S is assigned for "materiel that has no value except for **its** basic materiel content." Consequently, 'Disposal Condition Code S may be assigned by **DRMOs** to materiel with or without NSN identification.